



Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 06-2, 2006 Federal Pay Increase and Locality-Based Comparability Payment

Date: January 20, 2006

To: Holders of Title I Procedures  
Personnel Users Groups  
Agency Personnel Offices

This bulletin informs users (of the National Finance Center (NFC) Payroll/Personnel System (PPS)) of the 2006 Federal pay increase and related processing instructions. This bulletin contains the following sections:

1. Federal Pay Increase
2. Special Rate Supplement
3. Locality Pay
4. Life Insurance Coverage
5. System-Generated Personnel Actions
6. NFC Printing of SF-50B, Notification of Personnel Action
7. Additional Information
8. Inquiries

### **1. Federal Pay Increase**

Executive Order Number 13393, dated December 22, 2005, authorizes a 2.1 percent across-the-board increase in the rates of basic pay, effective January 8, 2006, for employees paid under the General Schedule (GS) and Foreign Service Schedule statutory pay systems.

By law (5 U.S.C.), the rates for levels I through V of the Executive Schedule (EX-I through EX-V) will increase by 1.9 percent (rounded to the nearest \$100).

Under 5 U.S.C. 5372(b), the President also has authorized an increase in the rates of basic pay for administrative law judges (ALJs) of 2.1 percent (rounded to the nearest \$100). The rate of basic pay for AL-1 will be \$143,000. The rate of basic pay for AL-2 will be \$139,500. The rates of basic pay for AL-3/A through AL-3/F will range from \$95,500 to \$132,000. The rates for administrative appeals (AA) judges are directly linked to those of ALJ. Therefore, the rates of basic pay for the AA-1 through AA-6 will also range from \$95,500 to \$132,000.

Pay rates for certain other employees are linked to the Executive Schedule. The rates of basic pay for Board of Contract Appeals (BCA) members are calculated as a percentage of the rate for level IV of Executive Schedule. (See 5 U.S.C. 5372(b)). Therefore, BCA rates of basic pay will increase by approximately 1.9 percent.

The increase in Federal pay and locality-based comparability payments for all eligible biweekly employees will be reflected in salary payments and earnings and leave statements for Pay Period 01 (January 8-21, 2006). The official payday for Pay Period 01 is February 2, 2006.

The following outlines the processing of the Federal pay increase:

▪ **Federal Pay Increases Processed Automatically in Pay Period 01, 2006**

NFC will automatically process Federal pay increases for the following types of employees:

- Employees in Pay Plans AC, AL, CO, DN, EX, FC, FO, FP, FS, GG, GH, GM, GS, GT, IR, IS, LE, MK, MX, NF, NX, NY, PA, PE, PG, PJ, PU, PY, TM, and TS.
- Employees who are paid at administratively determined rates (i.e., employees in Pay Plan AD) in those agencies that have notified the United States Department of Agriculture to automatically process the pay increase.
- Reemployed Annuitants. The system will automatically generate pay adjustments for all reemployed annuitants. For reemployed annuitants whose salaries are offset by annuities from the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) (Annuitant Indicator codes), personnel offices must also prepare personnel actions when the Office of Personnel Management (OPM) authorizes a cost-of-living adjustment for CSRS and FERS retirement annuities. The increased amount of the employee's annuity must be recorded in the Annuitant Share Amount field. For completion instructions for the Annuitant Share Amount field, refer to Title I, Payroll/Personnel Manual, Chapter 23, Entry, Processing, Inquiry, and Correction System (EPIC).

▪ **Federal Pay Increases Not Processed Automatically in Pay Period 01, 2006**

NFC will not automatically process Federal pay increases for the following types of employees:

- Employees in Pay Plans ES and FE. A bulletin will be issued for information on processing SES/SFS pay adjustments.
- Experts and consultants (i.e., employees in Pay Plans CG, EC, ED, EE, EF, EG, EH, EI, and IC).
- Employees paid at statutory rates (i.e., employees in Pay Plan SR).
- Employees in Pay Plans AD, AE, CP, DB, FA, FN, HA, IE, IJ, IL, LP, NB, OC, OF, PD, PL, PQ, PZ, RA, RE, RG, RS, RW, SB, SL, SR, SS, ST, TF, TR, UT, VG, VH, YV, YW, ZA, ZS, ZT, and ZZ with the exception of employees in those agencies that have notified NFC to automatically process the pay increase. (The pay adjustments for Pay Plans IL, SL, and ST are made at the discretion of the department/agency.)

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- Employees who are being paid under Pay Rate Determinant (PRD) Code 2, 3, 4, J, K, R, S, U, or V. Programming changes for the new retained pay regulations will be implemented in Pay Period 02, 2006. A bulletin will be issued containing additional guidance on this.
- Employees in Pay Plans GS and GM who are being paid under cooperative agreements and for whom the Federal Government does not pay all the salary (the cooperator pays a portion of the salary.)
- Employees in Pay Plans GG and GH who are being paid under cooperative agreements

**Note:** Employees who are Americorps members (Special Employment Programs Code V8) are not eligible to receive the 2.1 percent Federal pay increase.

Listings of employees in the “not processed automatically” categories are available upon request. If you would like a copy of the listing for your employees, please contact your Agency’s NFC Customer Service Representative or your Agriculture Payroll/Personnel User Group (AGPUG) or your Committee for Agriculture Payroll/Personnel Systems (CAPPS) representative.

▪ **Data Required for a Salary Change Personnel Action**

In addition to the standard items required for a salary change, the personnel action must include the following:

- The 2006 scheduled salary rate (do not include the locality-based comparability payment. PPS will automatically increase the salary amount for employees who are entitled to receive locality pay.).
- The effective date of the new rate (i.e., January 8, 2006)
- Nature of Action Code (NOAC) 894, QWM/ZLM, Reg 531.205, and Executive Order Number 13393 for General Schedule employees (e.g., GS, GM, etc.)
- NOAC 894, ZLM, Reg 534.504, and Executive Order Number 13393 for Pay Plans SL and ST.
- NOAC 894, ZLM, and the authority cited by the agency for Pay Plan AD.

**Note:** Those agencies with special authorities must use the authority cited by the agency. For detailed instructions, refer to OPM’s Guide To Processing Personnel Actions, Chapter 17.

- The authentication date, which is the same date the Executive Order for the Federal pay increase was signed (i.e., December 22, 2005)

**2. Special Rate Supplement**

Section 301 of the Federal Workforce Flexibility Act of 2004 (Public Law 108-411, October 30, 2004) amended provisions of 5 U.S.C. Chapter 53 regarding the administration of special rates, locality rates, and retained rates. As of May 31, 2005, OPM published interim regulations in the Federal Register to implement these changes in pay regulations. Further information on these pay changes (including a copy of the May 31, 2005, Federal Register

interim regulations) may be found in CPM 2005-10 dated May 26, 2005, on the OPM Web site at [www.opm.gov/oca/compmemo/index.asp](http://www.opm.gov/oca/compmemo/index.asp). This new special rate supplement was originally scheduled for implementation with the pay adjustment action in Pay Period 01, 2006, per OPM instructions. However, it has been postponed until Pay Period 02, 2006.

In Pay Period 02, NFC will generate a correction (NOAC 002) to the pay adjustment (NOAC 894 QWM/ZLM) that was automatically generated in Pay Period 01. Not all employees will receive NOAC 002. These actions are only necessary for those employees who continue to be entitled to Special Salary Rate on January 8, 2006. If the pay adjustment for those employee(s) was processed by the agency in lieu of NFC's automated processing, the agency must process the correction to the pay adjustment.

The majority of the employees affected by the delayed Special Rate Supplement change will require no further action by the agency. However, it is excepted that a small number of affected employees will have had another personnel action that was effective after the January 8, 2006, pay adjustment. For these individuals, the agency will have to generate a History Correction Update Processing System (HCUP) package in order for the correction to be applied to the employee's record. This HCUP package will also ensure that the subsequently processed documents also properly designate the Special Rate Supplement. Agencies must remember to print all SF-50B, Notification of Personnel Action, associated with these HCUP packages.

**NOTE:** For special rate employees, it is important that on personnel actions effective January 8, 2006, and later the scheduled salary rate is the General Schedule grade/step and is no longer the special rate salary. The difference between the General Schedule salary and the special rate salary will be displayed as a "Special Rate Supplement" for these employees.

### **3. Locality Pay**

The locality rate of pay for GS employees may not exceed the rate payable for Level IV of the Executive Schedule (\$143,000 in 2006). As a result of the increase in locality percentages in 2006, the locality rates for GS-15/08, GS-15/09, and GS-15/10, in the San Jose-San Francisco area; the GS-15/09, and GS-15/10, in the Houston locality areas; and the locality rates for GS-15/10 in the Chicago, Detroit, Hartford, Los Angeles, and New York locality areas would otherwise exceed the Level IV rate. Therefore, these identified GS-15 steps in the applicable locality areas are limited to \$143,000, for 2006.

Federal Employees Pay Comparability Act of 1990 (FEPCA) (Public Law 101-509) provides for comparability payments within each locality that is determined to have a pay disparity of greater than 5 percent with non-Federal workers.

The President's Pay Agent has extended the 2006 locality-based comparability payments to the same Governmentwide and single-agency categories that were authorized to receive the 2005 locality-based comparability payments.

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Changes to locality pay are outlined below:

▪ **Locality Pay Areas**

A total of 32 areas have been established as pay localities for 2006. The boundaries for the majority of these locality areas have not changed. However, three new locality areas have been established effective January 8, 2006. They are the Buffalo-Niagra-Cattaraugus, NY locality area; the Phoenix-Mesa-Scottsdale, AZ locality area; and the Raleigh-Durham-Cary, NC locality area. Also effective on January 8, 2006, the Dallas-Fort Worth, TX locality area was modified to include Fannin County, TX. In addition, the 2005 locality areas of Kansas City-Overland Park-Kansas City, MO; Orlando-The Villages, FL; and St. Louis-St. Charles-Farmington, MO-IL have been merged into the "Rest of the U.S." locality area effective January 8, 2006. The percentage factor for each locality is based on the geographic location of the employee's official duty station. The areas designated as locality pay areas for 2006, along with the corresponding percentage factor for each area, are shown in Attachment 1.

**Note:** Information about the geographic scope of each locality pay area is in the Federal Register document entitled General Schedule Locality Pay Areas (dated December 19, 2005), and which can be found on OPM's Web site at [www.opm.gov/oca/06tables/locdef.asp](http://www.opm.gov/oca/06tables/locdef.asp).

Effective with the processing of Pay Period 01, personnel actions involving a salary change or adjustment (such as a promotion or within grade increase (WGI)) that are submitted for employees whose official duty station is in a locality pay area must reflect the 2006 scheduled salary rate, which **does not** include the locality-based comparability payment. PPS will automatically increase the salary amount for employees who are entitled to receive locality pay.

Locality payments will be paid as part of the employee's biweekly salary and will be used in determining the calculations for retirement annuity and contributions to the Thrift Savings Plan (TSP), life insurance, overtime, and other premium pay. For most employees, the amount of locality pay will be determined by multiplying the employee's scheduled annual rate of pay by the percentage factor authorized for the locality pay area.

▪ **Employees Ineligible To Receive Locality-Based Comparability Payments**

The following group of GS employees will not receive locality-based comparability payments because they are already receiving pay rates that exceed locality:

- Employees entitled to special salary rates whose scheduled salaries plus the special rate supplement exceeds the locality pay for their pay areas.
- Effective May 1, 2005, employees in retained pay (i.e., employees with PRD J, K, R, U or V) were no longer eligible for locality pay. As mentioned earlier, a bulletin will be issued to containing additional information on retained pay.

**4. Life Insurance Coverage**

If there is an increase in the regular life insurance coverage as a result of the pay increase, the related increase in life insurance deductions will be effective at the same time.

## 5. System-Generated Personnel Actions

OPM does not require a separate personnel action for those employees who receive a locality payment along with the Federal pay increase authorized under 5 U.S.C. 5303. Therefore, NFC will automatically generate one personnel action for both the Federal pay increase and locality-based comparability payment. In addition to the standard items required for a salary change, the personnel action will include:

- The effective date of the new rate (i.e., January 8, 2006)
- NOAC 894, QWM/ZLM, Reg 531.205, and Executive Order 13393 for GS employees (e.g., GS, GM, etc.)
- NOAC 894, ZLM, Reg 534.504, and Executive Order 13393 for Pay Plans SL and ST
- NOAC 894, ZLM and the authority cited by the agency for Pay Plan AD
- The authentication date, which is the same date the Executive Order for the Federal pay increase was signed (i.e., December 22, 2005)

## 6. NFC Printing of SF-50B, Notification of Personnel Action

NFC will print SF-50B's by agency request only. Once printed, the forms will be mailed to the address provided by the requestor. SF-50B's will be mailed "Return-Receipt Requested" to ensure receipt. NFC's Customer Support staff will coordinate verification of addresses and receipt of the forms.

If reprints of SF-50B's are requested, the agency will be charged for the printing, mailing, and labor associated with the reprinting of the forms. The reprints will be mailed "Return-Receipt Requested" as well.

## 7. Additional Information

The following is provided to assist you in processing personnel actions in Pay Period 01:

### ▪ **Personnel Edit Subsystem (PINE) Edit Messages**

To avoid a system-generated rollback, agencies should ensure that all personnel actions with effective dates prior to Pay Period 01, January 8, 2006, are entered before the processing of PINE pass 1 (January 16, 2006). All actions entered by January 13, 2006, will be processed in pass 1 of Pay Period 01, including the system-generated change in service computation date (SCD) and the Federal pay increase/locality-based comparability payment.

Any rollback action will result in the rollback of all personnel actions (agency-initiated or system-generated) that have applied in the current pay period, including the system-generated change in SCD and the Federal pay increase/locality-based comparability payment.

These actions are then placed in suspense (i.e., in the Suspense Inquiry and Correction System (SINQ) or EPIC suspense), will appear on the Listing of Personnel Error Messages

with Override Code F, and with the edit message *"In SINQ Due To Rollback-Take Appropriate Action."* The document(s) will remain in suspense until action is taken.

The system will produce Document Type 999 informational edit messages on the Listing of Personnel Error Messages in Pay Period 01 to identify employees who did not receive an automatic pay raise (e.g., GM employees whose salaries are less than the minimum salary range for the step).

The first pass of PINE for Pay Period 01 will begin executing on the night of January 16, 2006. Due to the large volume of personnel and payroll documents effective during Pay Period 01, it is anticipated that pass 1 will continue to execute through January 17, 2006. Consult the NFC Electronic Access Bulletin Board on the NFC Mainframe for updates on the processing of the pay raise actions and system availability. NFC's Electronic Access Bulletin Board has been updated.

▪ **HCUP**

If a HCUP package is processed during Pay Period 01, 2006, the system-generated actions (e.g., the change in SCD and the Federal pay increase/locality-based comparability payment) will become part of the HCUP package. Special measures should be taken to ensure that these system-generated actions are reapplied during Pay Period 01 regardless of whether the HCUP package is subsequently deleted.

**7. Inquiries**

This bulletin supersedes Bulletin 05-2, 2005, Federal Pay Increase and Locality-Based Comparability Payment, dated January 19, 2005. For questions about policy/regulations, contact your AGPUG or CAPPS representative. For questions about NFC processing, contact the Payroll/Personnel Call Center at **504- 255- 4630**.



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## Locality Pay Areas for 2006

Locality Pay Area *	New Locality Rate **
Atlanta-Sandy Springs-Gainesville, GA-AL Combined Statistical Area (CSA)	15.10%
Boston-Worcester-Manchester, MA-NH-ME-RI CSA	19.99%
Buffalo-Niagara-Cattaraugus, NY	13.52%
Chicago-Naperville-Michigan City, IL-IN-WI CSA	21.15%
Cincinnati-Middletown-Wilmington, OH-KY-IN CSA	17.08%
Cleveland-Akron-Elyria, OH CSA	15.41%
Columbus-Marion-Chillicothe, OH CSA	14.85%
Dallas-Fort Worth, TX CSA	16.39%
Dayton-Springfield-Greenville, OH CSA	13.83%
Denver-Aurora-Boulder, CO CSA	19.49%
Detroit-Warren-Flint MI CSA	21.00%
Hartford-West Hartford-Willimantic, CT-MA CSA	21.30%
Houston-Baytown-Huntsville, TX CSA	26.37%
Huntsville-Decatur, AL CSA	13.35%
Indianapolis-Anderson-Columbus, IN CSA	12.85%
Los Angeles-Long Beach-Riverside, CA CSA	23.18%
Miami-Fort Lauderdale-Miami Beach, FL Metropolitan Statistical Area (MSA)	17.84%
Milwaukee-Racine-Waukesha, WI CSA	14.74%
Minneapolis-St. Paul-St. Cloud, MN-WI CSA	17.31%
New York-Newark-Bridgeport, NY-NJ-CT-PA CSA	22.97%
Philadelphia-Camden-Vineland, PA-NJ-DE-MD CSA	18.04%
Phoenix-Mesa-Scottsdale, AZ	12.65%
Pittsburgh-New Castle, PA CSA	13.81%



Portland-Vancouver-Beaverton, OR-WA MSA	17.16%
Raleigh-Durham-Cary, NC	15.57%
Richmond, VA MSA	14.15%
Sacramento-Arden-Arcade-Truckee, CA-NV CSA	17.91%
San Diego-Carlsbad-San Marcos, CA MSA	19.19%
San Jose-San Francisco-Oakland, CA CSA	28.68%
Seattle-Tacoma-Olympia, WA CSA	17.93%
Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV CSA	17.50%
Rest of U.S. (RUS)-portions of the United States not located within another pay locality area.	12.52%

\* Locality Pay Areas are defined in 5 CFR 531.603(b) and are available at [www.opm.gov/oca/06tables/locdef.asp](http://www.opm.gov/oca/06tables/locdef.asp).

\*\* The 2006 locality rate replaces the 2005 locality rate. It is not paid in addition to or in excess of the 2005 locality rate.